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REMARKS

Claims 1-78 stand rejected in the present Office Action. In this response, claims 1-78 are canceled without prejudice, and new claims 79-111 are added. Accordingly, claims 79-111 are pending and under consideration in the present application. Applicants respectfully request reconsideration of the present application in view of the foregoing amendments and reasons.

35 U.S.C. § 112, second paragraph, rejection

In Paragraphs 1-6 of the Office Action, claims 1-78 are rejected under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which Applicants regard to be the invention. In particular, the Examiner stated that:

Each of the Claims 1-78 recites either an "allowing" step or an element to "allow" a function. The concept of allowing is vague because it does not decisively state whether the function allowed is actually performed; the metes and bounds of the claim are not clearly set out. Applicants are requested to correct occurrences of this deficiency in all Claims. See also for example, Claims 20 and 21.

Claim 3 recites the phrase "as applied to various capitalization scenarios." One of ordinary skill in the art would not know how to identify those various scenarios.

Claim 12 and 50 recite the phrase "to the . . . projections" and "the web." There is insufficient antecedent basis for these phrases.

Claim 74 recites the phrase "the capitalization structure reflects to the board of directors approval status." This phrasing is unclear.

Applicants respectfully submit that claims 1-78 are canceled without prejudice. New claims 79-111 do not include the rejections pointed out by the Examiner.

35 U.S.C. § 101 rejection

In Paragraphs 7-10 of the Office Action, claims 1-43 and 65-78 are rejected under 35 U.S.C. § 101 because the claimed invention is directly to non-statutory subject matter. In particular, the Examiner stated that:

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Specifically the claims as presented does not claim a technological basis in the pre-ambble and the body of the claim. Without a claimed basis, the claim may be interpreted in an alternative as involving no more than a manipulation of an abstract idea and therefore non-statutory under 35 U.S.C. 101. In contrast, a claim that includes in the body of the claim at least one structural/functional interrelationship which can only be computer implemented is considered to have a technological basis [See Ex parte Bowman, 61 USPQ2d 1669, 1671 (Bd. Pat. App. & Inter. 2001) – used only for content and reasoning since not precedential].

In order to over come the 101 rejection above, the following preamble is suggested: “A computer implemented method for —”, or something similar. Also, in the body of the claim include at least one structural/functional interrelationship which can only be computer implemented.

Claims 1-43 and 65-78 are canceled without prejudice. Per the Examiner’s suggestion, new claims 79-111 include technological basis in the preamble and body of the claims (e.g., computer-implemented method or computerized system). Applicants thank the Examiner for suggesting ways to overcome the 35 U.S.C. § 101 rejection.

35 U.S.C. § 102 rejections

In Paragraphs 11-47 of the Office Action, claims 1-7, 12-13, 21, 26, 28, 30-31, 39-40, 42, 44-47, 50-51, 54, 62, and 65-77 are rejected under 35 U.S.C. § 102 (a) as being anticipated by SEC EDGAR Submission 0001032210-99-001375 (hereinafter “the SEC reference”). In particular, the Examiner stated that:

Concerning Claim 1, SEC EDGAR Submission 0001032210-99-001375, hereinafter SEC discloses the invention as claimed, including in a method, the steps of:

maintaining a database (SEC EDGAR database) containing data regarding a complete capitalization structure for at least one company (pgs. 27-35, “Capital Shares”; pgs. 51-52, “Certificate of Shares and Their Transfer”);

allowing a representative of the company, a stakeholder, or an agent of the company to have access to the data regarding the company via a computer network (HTML presentation on World Wide Web of SEC, see pg 1, top);

allowing the representative of the company or the agent of the company to update the data regarding the company (pg. 1, “Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934”); and

managing the capitalization structure of the company based on the data company to regarding the company (pg. 22, bracketed text; pages 27-35).

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See also pages 68-69. []

As to Claims 40-47, see the discussion of Claims 1-4; SEC discloses a an electronic database inherently stored on a machine readable medium. []

Concerning Claim 65, it is the system form of Claim 1 and is rejected in a like manner. See also the discussion of Claim 44. []

Claims 1-7, 12-13, 21, 26, 28, 30-31, 39-40, 42, 44-47, 50-51, 54, 62, and 65-77 are canceled without prejudice. Applicants respectfully submit new claims 79-111 for entry. The subject matter of claims 79-111 are supported by the application as filed.

The present application is directed to solving the problem of inaccuracy and inefficiency involved in traditional administration of a company's securities transactions by a company. When a security transaction is directly or indirectly requested by a person or entity associated with the company (e.g., a company employee, a company agent, a company administrator, a company board member, etc.), it requires calculating, tracking, checking, and/or updating associated with "allocation, granting, exercising, redemption, conversion, and termination of securities by a company." See paragraph 2. A security transaction impacts the company's balance sheets, tax returns, capitalization structure, compliance with governmental regulations, and allocation restrictions for a given person or entity. The security transaction should also comply with the company's articles of incorporation, bylaws, and terms and conditions of various security agreements. These various company functions, however, often require the expertise and interaction with one or more outside parties.

Typically, a company wishing to authorize, issue, transfer, or record securities uses: 1) a securities law firm to advise, prepare, and draft the necessary documents and assure regulatory compliance, 2) an accounting firm to assess and record the impact of the securities distribution on the corporate balance sheet and tax statements, 3) an outside service provider or transfer agent to actually issue stock certificates to the recipients, and 4) a brokerage firm to facilitate the sale of publicly traded securities. Paragraph 2.

Hence, even with the existence of computers, specialized software, and networks, fulfilling a security transaction may be done improperly or require interim reports and human intervention. The "conventional process is cumbersome and error-prone:"

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Synchronizing, communicating, and validating the work done by in-house company staff and outside firms is very difficult, even for the simplest securities transaction. In typical situations, last minute changes to the securities transaction are common. Sometimes, the securities transaction may not be properly validated against the company's capitalization structure. The problem can be worse in privately-held companies, which commonly do not have qualified resources to properly administer their securities transactions. For example, the securities administrator could be instructed by a company executive to grant a number of stock options which could exceed what was authorized by the company's capitalization structure. Paragraph 2.

Securities agreements are increasingly complex and routinely include provisions that require precise and rigorous mathematical analysis in order to properly understand the present and future economic, ownership, voting and corporate governance ramifications for both the purchaser and the company issuing the securities.

Moreover, in recent times, the increased use of securities by companies as a form of compensation (e.g., use of stock options and restricted stock for employees); enactment of stricter Securities and Exchange Commission (SEC) regulations (e.g., Sarbanes-Oxley regulations); increased scrutiny of executive compensation and securities transactions; changes to accounting practices for reporting of securities transactions on company balance sheets; increased accountability and disclosure requirements for investment professionals and their sources of capital; and even changes to Internal Revenue Service (IRS) rules regarding tax liability of certain securities all highlight the need for an integrated and accurate administration of security transactions. Since the security transactions impact the company's balance sheets, tax liability, etc., an integrated system that utilizes and/or updates such information would be beneficial. This is especially true for small or closely-held companies that may not have the resources for an extensive or highly knowledgeable administration department.

The present application and new claims 79-111 solve this problem by providing an integrated and automated organization and management system to handle actual and hypothetical securities transactions for a company. The computerized system and method are configured to accept a variety of security transaction requests, and output and execute all relevant parameters involved in fulfilling the security transaction requests. For this reason, the person making the request nor the person presented with the output needs to be knowledgeable in securities, taxation,

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accounting, or company rules. Nor does the person presented with the output then need to coordinate, compute, validate, or otherwise complete the transaction because the output is incomplete. In one embodiment of the invention, the computerized system and method can further include and handle such security transaction requests for one or more companies.

Claim 79 recites a computer-implemented method comprising initiating a capitalization-affecting activity by at least one of a company security holder, a company administrator, a company employee, and a company agent. Exemplary embodiments of a network and computing system in which the method is implemented is described, for example, in Paragraphs 18-32 and Figures 1-3. A security transaction such as "issuance of the company's securities", "tentative options grants", "exercising an option", or even hypothetical "what if" security transaction scenario is entered by "security holders", "company contacts", "the company", "agents of the company", "directors", "executives", "human resources staff", "board members", or company "employee". See Paragraphs 28-33.

The method further includes classifying the capitalization-affecting activity as a security type and transaction in accordance with the company's capitalization structure maintained in a database and governmental regulations, and requesting authorization from the company when authorization is required to complete the classified capitalization-affecting activity. "In one embodiment of the present invention, a capitalization structure maintained in the database includes information about outstanding shares, types of shares available, number of shares available, derivative securities available, outstanding derivative securities, and types of derivative securities available. It will be apparent to one of ordinary skill in the art that other related information can be similarly retained." Paragraph 26.

The transaction request is provided to the database administration system 322 (e.g., as company event data 320 by specialists and managers, or via an HTML link 332 to the Internet 334 from web users). See Paragraphs 29-30; Figure 3. The database administration system then performs "data analysis" and a "variety of managerial functions on the securities." See Paragraphs 29, 33.

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To grant a security, for example an option, in one embodiment the database administration application 322 follows the procedure illustrated in the flowchart of Figure 7. As shown in Figure 7, ☐ the *class of the option to be granted is determined 702*. ☐ If the stock is common, then the application *checks the database to see if an option plan exists 708*. ☐ If the option plan exists ☐, then the option is *granted if the board has approved it 706*. ☐ If the options are ISO and NSO 744, then the exercise price EP is *set according to state law 746*. (emphasis added) Paragraph 33; Figure 7.

The method further includes executing the classified capitalization-affecting activity. Continuing the example of Figure 7, "the two option numbers are generated 732 and 740, and the ISO and NSO option are *granted or placed in pending status 734 and 742*." (emphasis added) Paragraph 33; Figure 7.

In contrast, "[i]n other legacy databases, the user would have to run a report to find out if any ISO exceeds the \$100,000 limitation, and the user then would have to manually divide the offending grant between an ISO and an NSO. The system does this grant division for the user automatically, thus eliminating the need to run extra reports and obviating the possibility of incorrectly granted ISO's. In a further embodiment, where the ISO exceeds the limitation due to early exercise, the system will automatically allocate those ISO's in excess of the \$100,000 statutory limit to be exercisable in the following calendar year." Paragraph 34.

Application as filed also includes other examples of data analysis and functionalities performed by the data administration system, such as, "allowing a derivative security holder to exercise an option, SPR, CPN, or a warrant", "issuing actual stock certificates", administering a "stock-split", "track a holder of a right of first refusal", "analyze compliance with [Rule 701]", etc. See paragraphs 35 -41, 48, 54-56; Figures 8-10. In these examples, the initiating, classifying, requesting, and executing steps recited in claim 79 are shown.

Claims 80-83, which depend from independent claim 79, are also supported by the application as filed. For example, support for claim 80 is found at Paragraphs 2, 4, 26, 27, 33, 35, 36, 39, 40, 46, 47, 49, and 51. Support for claim 81 is found, for example, at Paragraphs 38 and 49. Support for claim 82 is found, for example, at Paragraphs 28, 29, 42, 44, 49, 50, and 56. Support

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for claim 83 is found, for example, at Paragraphs 42, 49, 50, and 56. Support for claim 84 is found at Paragraph 33.

New claims 85-111 are similarly supported as discussed above. Support for claim 87 is found, for example, at Paragraphs 30-31, 19 and Figure 3. Support for claim 88 is found, for example, at Paragraphs 2, 33 and Figures 7-9. Support for claim 92 is found, for example, at Paragraphs 26, 45, and 56. Support for claim 94 is found, for example, at Paragraphs 28-29. Support for claim 101 is found, for example, at Paragraphs 22, 30 and Figure 5. Support for claim 102 is found, for example, at Paragraph 32 and Figure 6. Support for claims 110 and 111 are found at, for example, Paragraphs 26, 45, 54, 33, 46, and 49-53.

Applicants respectfully submit that new claims 79-111 are not anticipated by the SEC reference. The SEC reference discloses capitalization structure for a company at a particular point in time. The Examiner appears to be characterizing the SEC EDGAR database as equivalent to Applicants' database, and the access to the SEC EDGAR database via the Internet as equivalent to access to Applicants' database.

Even if the SEC EDGAR database is assessable via the Internet, the SEC reference and the SEC EDGAR database merely provide static and limited information about companies. The SEC reference does not disclose utilizing the information contained therein to process a security transaction or company event for a particular company, as is recited in each of independent claims 79, 85, 95, 105, and 110. The SEC reference also does not disclose performing any type of classification or analysis.

The SEC EDGAR database may be updated with new SEC references or serve as a "container" to hold a company's capitalization structure, balance sheets, and other company information. Nevertheless, the SEC EDGAR database is not configured to serve as a direct data source for use in real-time analysis of a company's capitalization structure. For one thing, since SEC filings, including the SEC reference, are only filed periodically, the information would be quickly outdated for purposes of performing data analysis.

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Moreover, neither the SEC reference nor the SEC EDGAR database discloses a means for accepting or initiating a security transaction. In other words, the Applicants' claims recite acting on inputted requests. The SEC reference does not.

Applicants' claimed computer-implemented method and system discloses a transaction-driven system similar to a web-based, computerized general ledger accounting system (e.g., dynamic, real-time, double entry) but specifically configured to track, report, document, and analyze company capitalization information.

Accordingly, Applicants respectfully submit that new claims 79-111 are allowable over the SEC reference.

35 U.S.C. § 103 rejections

In Paragraphs 48-69 of the Office Action, claims 20, 22-25, 27, 35, 41, 43, 61, 63, and 78 are rejected under 35 U.S.C. § 103(a) as being unpatentable over the SEC reference.

Claims 20, 22-25, 27, 35, 41, 43, 61, 63, and 7 are canceled without prejudice. Applicants respectfully submit that new claims 79-111 are allowable over the SEC references for at least the reasons discussed above.

In Paragraphs 70-93 of the Office Action, claims 8-11, 14-19, 29, 34, 36-38, 48-49, 52-53, 55-60, and 64 are rejected under 35 U.S.C. § 103 (a) as being unpatentable over the SEC reference in view of Final Rule: Rule 701-Exempt Offerings Pursuant to Compensatory Arrangements (hereinafter "the Rule 701 reference").

Claims 8-11, 14-19, 29, 34, 36-38, 48-49, 52-53, 55-60, and 64 are canceled without prejudice.

The Rule 701 reference discloses the Rule 701 itself and possible commentary about application of Rule 701. As such, the Rule 701 reference does not overcome the shortcomings

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discussed above with respect to the SEC reference. Hence, the combination of the SEC reference and the Rule 701 reference do not disclose the combination of elements recited in each of claims 79-111.

Accordingly, Applicants respectfully submit that claims 79-111 are allowable over the SEC reference and the Rule 701 reference, alone or in combination.

In view of the above, each of the presently pending claims in this application is believed to be in immediate condition for allowance. Accordingly, the Examiner is respectfully requested to withdraw the outstanding rejection of the claims and to pass this application to issue. If it is determined that a telephone conference would expedite the prosecution of this application, the Examiner is invited to telephone the undersigned at the number given below.

In the event the U.S. Patent and Trademark office determines that an extension and/or other relief is required, applicant petitions for any required relief including extensions of time and authorizes the Commissioner to charge the cost of such petitions and/or other fees due in connection with the filing of this document to Deposit Account No. 03-1952 referencing docket no. 468182000100. However, the Commissioner is not authorized to charge the cost of the issue fee to the Deposit Account.

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Respectfully submitted,

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